
Local Government & Housing Committee

HB 1696

Brief Description: Concerning tax relief to promote employer-assisted housing.

Sponsors: Representatives Kenney, Springer, Moeller, Ormsby, Simpson and Nelson; by request of Housing Finance Commission.

Brief Summary of Bill

- Creates the Employer Assisted Housing Program within the Housing Finance Commission for the purpose of encouraging employers to provide housing-related financial assistance to employees.
- Allows eligible employers to receive a business and occupations tax credit for financial contributions made to the Employer Assisted Housing Program.
- Requires the Housing Finance Commission and the Department of Revenue to annually report to the Legislature regarding the status of the program.

Hearing Date: 2/9/09

Staff: Thamas Osborn (786-7129)

Background:

Business and Occupations Tax.

The business and occupation (B&O) tax is Washington's major business tax and the second largest tax source for the state. The tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the state general fund. Different tax rates apply to various specified categories of business activity. Almost all businesses located or doing business in the state of Washington are subject to the state B&O tax, including corporations, partnerships, sole proprietors, and nonprofit organizations.

Housing Finance Commission.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington State Housing Finance Commission (HFC) was created by the Legislature in 1983, however it is not a state agency. The HFC does not receive state funds, it does not lend state funds, and the state is not liable for any of the HFC's debt. The HFC acts as a financial conduit of federal funds and has the authority to issue bonds for the development of affordable housing and non-profit facilities.

The HFC operates a variety of housing programs and has provided loans to state residents for homeownership since 1983. The HFC is required in statute to provide a down payment assistance program to veterans and a housing finance program for income eligible, first-time homebuyers. The HFC homeownership programs offer below-market-rate loans and down payment assistance, and also allow homebuyers to qualify for mortgages with higher loan ratios and pay less closing costs than under conventional loan programs. Although not required in statute, the HFC periodically develops supplemental programs to provide additional assistance to specific targeted populations including teachers, low-income rural residents, residents of a specific area, and disabled individuals.

Summary of Bill:

Overview of the Employer Assisted Housing Program.

Creates the employer assisted housing program (program) within the HFC, which is tasked with assisting Washington employers in providing housing benefits to qualified employees. Under the program, eligible employers are entitled to receive a B&O tax credit for contributions to the program on behalf of employees who meet specified requirements. The stated purpose of the program is to offer a tax incentive to encourage employers to participate in efforts designed to provide affordable housing for employees.

A qualifying employer is entitled to a 50 percent credit against its B&O tax obligation in return for contributions made by the employer to the program. The amount of the tax credit may not exceed \$200,000 for a given employer in a given year. The total statewide tax credit for all employers is capped at \$1 million per year, at which point employers are not eligible for additional tax credits for the remainder of that year. Upon reaching this \$1 million threshold, the Department of Revenue (DOR) must so notify the HFC and all employers who have contributed to the program.

The HFC must establish an "employer assisted housing program account" for the deposit and distribution of funds received from employers approved by the HFC for participation in the program. The interest from the account may be used by the HFC to help pay the administrative costs of the program.

The program ends as of July 1, 2017.

Employer Eligibility Requirements.

To qualify for participation in the program, an employer must be located in a jurisdiction with plans, policies, or programs in place that promote and support affordable housing and that meet specified requirements, including certification by the HFC.

In order to claim a tax credit under the program, a qualifying employer must:

- be verified by the HFC as having made the requisite contributions to the program; and
- electronically file with the DOR specified financial and tax information.

Employee Eligibility Requirements.

To qualify for housing-related assistance under the program, an employee must:

- be employed either by a qualified employer making contributions to the program or by a designated beneficiary entity; and
- have an income not exceeding 125 percent of either: (1) the adjusted median family income for the county in which the employee resides; or (2) the state median income, whichever is greater.

Housing Benefits Available Under the Program.

Under the program, qualified employees may receive housing-related financial assistance that may include:

- down payment assistance;
- closing cost assistance;
- rental assistance; or
- such other assistance as may be approved by the HFC and the employer.

Evaluation and Reporting Requirements.

The DOR must issue an annual report to the Legislature regarding the amount of credits claimed by the employers during the preceding year. The first report is due on December 31, 2009.

The HFC must report to the Legislature regarding program activities, outcomes, and performance measures by December 31 of each year.

The Joint Legislative Audit and Review Committee must conduct an evaluation of the program 36 months after its inception. The evaluation must include performance measurement data.

Appropriation: None.

Fiscal Note: Requested on February 6, 2009.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.